



THRIFT SAVINGS PLAN FACT SHEET

Effect of Nonpay Status on TSP Participation

This fact sheet is for civilian employees who are placed in nonpay status (e.g., furlough or leave without pay) for one or more pay periods and for uniformed services members who do not receive pay each month (e.g., members of the Ready Reserve who do not drill each month and therefore do not receive pay each month).¹ For purposes of this fact sheet, the term “nonpay status” refers not only to the civilian nonpay status, but also to the uniformed services non-receipt of pay.

This fact sheet does not apply to employees who are in nonpay status performing an assignment with a state or local government agency under the provisions of the Intergovernmental Personnel Act (IPA), or to employees who are in nonpay status serving as full-time officers or employees of a union. If you are in nonpay status for one of these reasons, see your personnel office for information about your TSP participation.

Can I contribute to my TSP account if I am in nonpay status?

No. Employee contributions to TSP accounts must be made as deductions from civilian or uniformed services pay. Consequently, if you are in nonpay status for one or more pay periods, you cannot contribute to your TSP account for these period(s).

If you are a civilian employee in nonpay status to perform military service and have a uniformed services TSP account, you may make contributions to that account. These contributions are deducted from your uniformed services pay. In addition, when you return to civilian pay status, you may be entitled to make up TSP contributions to your civilian account. See the fact sheet “TSP Benefits That Apply to Members of the Military Who Return to Federal Civilian Service” for more information about making up TSP contributions.

What if I am receiving workers’ compensation?

Workers’ compensation benefits are payments made by the Department of Labor’s Office of Workers’ Compensation Programs (OWCP) and, by law, are not payments from which TSP contributions may

be made. Consequently, you cannot contribute to your TSP account, nor can you make loan payments, while you are in nonpay status and receiving OWCP benefits.

Will I receive agency contributions if I am in nonpay status?

No. Agency Automatic (1%) Contributions made to the TSP accounts of employees covered by FERS² must be determined by using the basic pay earned by the employees during the pay period. Agency Matching Contributions are made to the TSP accounts of FERS employees only if the employees make their own contributions for the pay period. Consequently, if you are in nonpay status for one or more pay periods, you will not receive agency contributions for those pay periods.

Can I make a TSP contribution election if I am in nonpay status?

Yes. You may file a TSP contribution election with your agency or service any time during a TSP open season. Your agency or service will process this

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¹ Most uniformed services members will never be in a nonpay status.

² FERS refers to the Federal Employees’ Retirement System, the Foreign Service Pension System, and other equivalent Government retirement plans.

election even though no contributions can be made to your account while you are in nonpay status. As soon as your pay resumes, your TSP contributions will be deducted based upon your most recent contribution election.

Can I make interfund transfers and contribution allocations if I am in nonpay status?

Yes. An interfund transfer is the movement of some or all of your **existing** account balance among the five TSP investment funds. Consequently, you may make interfund transfers just like participants in pay status.

A contribution allocation affects the investment of future contributions and loan payments made to your account. You may make contribution allocations just like participants in pay status, but until future deposits are made to your account, the contribution allocation will have no effect.

Can I receive a TSP loan while I am in nonpay status?

No. Under the TSP loan program, loan payments can be made only through payroll deductions. Consequently, if you are in nonpay status (even though you may be receiving workers' compensation benefits), you cannot receive a TSP loan until your pay resumes.

What if I have a TSP loan and I am placed in nonpay status?

Because TSP loan payments are made only through payroll allotments, a period without pay will result in missed payments.

If you go into an approved nonpay status, loan payments can be suspended for the nonpay period, but only up to one year, due to Internal Revenue Service (IRS) requirements. Interest will accrue while your payments are suspended. If, however, you are a civilian employee who is placed in nonpay status to perform military service, special rules apply to the suspension of your loan payments. See the answer to the next question for more information about entering civilian nonpay status to perform military service.

You, your agency, or your service must submit documentation of your nonpay status.

For civilian employees, nonpay documentation is:

- ☐ Form TSP-41, Notification to TSP of Nonpay Status; or
- ☐ SF-50, Notification of Personnel Action, documenting your nonpay status; or
- ☐ Letter from your agency on agency letterhead which includes your name, Social Security number, the beginning date of the nonpay status, whether or not the nonpay status is due to military service, and the signature and title of the agency representative providing the information.

For **members of the uniformed services**, nonpay documentation is:

- ☐ Form TSP-U-41, Notification to TSP of Nonpay Status; or
- ☐ Letter from your service which includes your name, Social Security number, the beginning date of the nonpay status, and the signature and title of the service representative providing the information (e.g., your commander or adjutant).

If you are in approved nonpay status but you (or your agency or service) do not provide the required information, you may have adverse tax consequences.

If you are in nonpay status and no payments are made for a year, you must repay your loan in full by the end of the year of nonpay status or be liable for income tax on the outstanding balance of your loan.

In addition, you still must repay your loan within the required time frames of 5 years for general purpose loans and 18 years for residential loans. Unless you repay your loan in full by the required deadline, the TSP must close your loan by declaring a taxable distribution of the outstanding balance of the loan.

Additional information about the effect of a period of nonpay on your loan is contained in the booklet *TSP Loan Program*.

What if I am a civilian employee with a TSP loan and I enter nonpay status to perform military service?

If you enter nonpay status to perform military service, you will be permitted to suspend payments on your loan until you return to pay status. Although

loan payments will not be due before then, interest will continue to accrue for the entire period. (You cannot repay your civilian TSP loan by making loan allotments from your uniformed services pay.)

In addition, the time frame for repaying your loan (i.e., the original term or, if applicable, the reamortized term) will be extended by the length of your military service.

If you enter nonpay status to perform military service, you or your agency must submit the documentation described above. In addition, when you return to pay status, you (or your agency) must provide written notification of the beginning and ending dates of your military service. You may submit a copy of DD 214, Certification of Release or Discharge From Active Duty, or the agency may submit Form TSP-41, to provide these dates.

Can I make an in-service withdrawal while I am in nonpay status?

Yes. While you are in nonpay status, you can request an in-service withdrawal. In-service withdrawals are limited to two types: age-based withdrawals for participants who are age 59 ½ or older and withdrawals for financial hardship. If you request a financial hardship withdrawal, you must be able to document your financial need and provide supporting documentation for any extraordinary expenses that you list. The funds withdrawn while you are in service are taxable and an early withdrawal penalty tax may apply. Read the booklet *TSP In-Service Withdrawals* for information and rules pertaining to in-service withdrawals.

Can I make a post-employment withdrawal while I am in nonpay status?

No. While you are in nonpay status, you are still a civilian employee or uniformed services member. You are not eligible to make a post-employment withdrawal until you separate from civilian service or the uniformed services.